NATURAL GAS OUTLOOK TO 2020

The U.S. Natural Gas Market -- Outlook and Options for the Future

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American Gas Association
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American Gas Foundation

AMERICAN GAS FOUNDATION

Independent source of information, research and programs on energy and environmental issues that affect public policy

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SCENARIO ASSUMPTIONS

	Expected	Expanded	Existing
Drilling Moratoria	Unchanged	Relaxed	Unchanged
Intermountain West Access	Unchanged	Increased	Unchanged
Alaskan Pipeline	2014	2014	Not Built
LNG in 2020	18 Bcfd	23 Bcfd	5.3 Bcfd
New Gas-Fired Generation	60 GW	30 GW	60 GW

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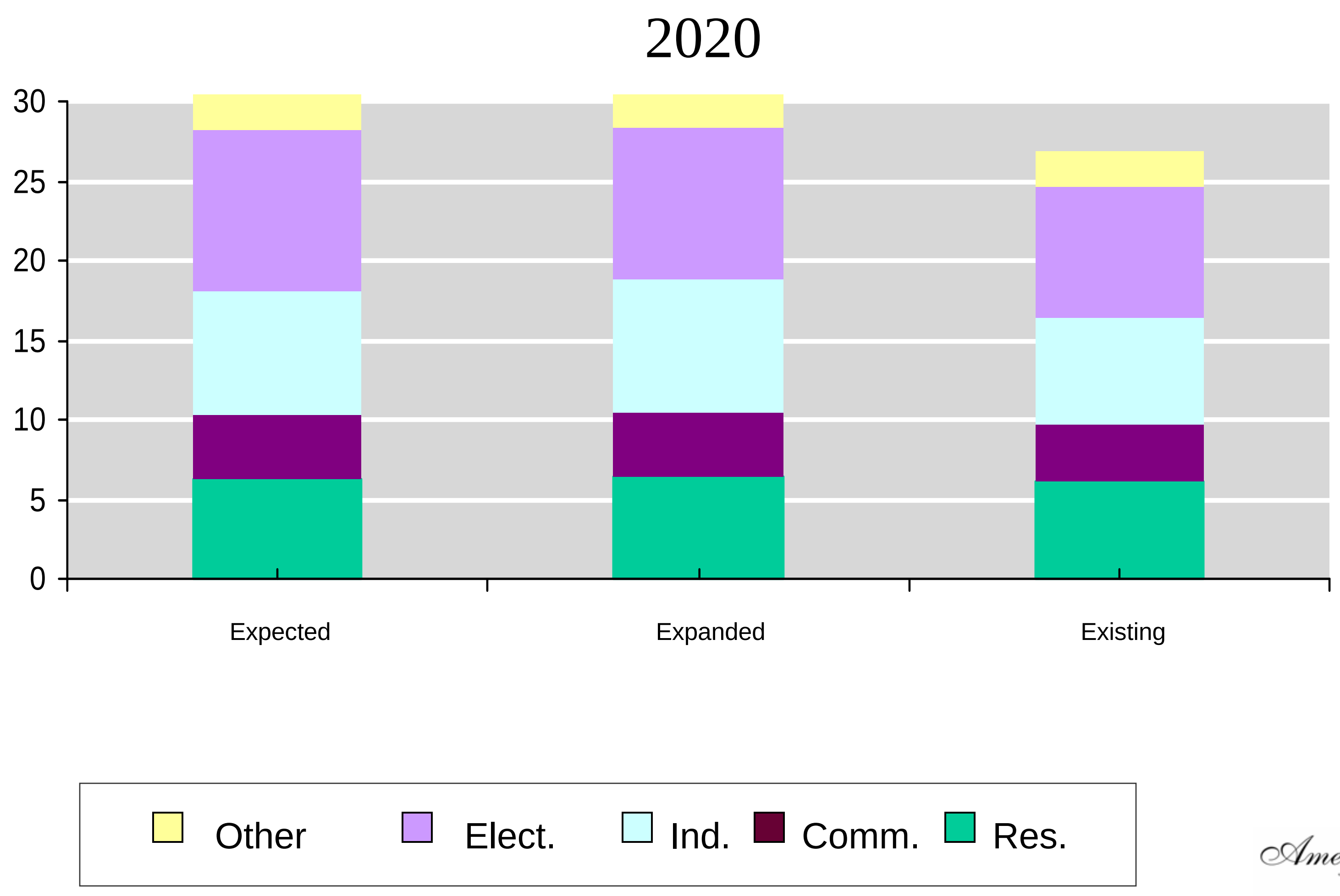
PROJECTED NATURAL GAS CONSUMPTION QUADS



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COMPARISON OF LONG-TERM SCENARIOS 2003 – 2020

CONSUMPTION (Tbtu)

	Actual 2003	FORECAST - 2020 Expected	Expanded	Existing
Res	5,188	6,326	6,417	6,076
Com	3,287	3,944	4,074	3,610
Ind	7,412	7,739	8,268	6,718
EG [1]	4,230	10,203	9,526	8,226
Pipe [2]	777	993	976	930
L&P [3]	1,247	1,254	1,211	1,336
Total	22,141	30,459	30,472	26,896

[1] Electricity generation.
[2] Pipeline compressor fuel.
[3] Lease and plant fuel.

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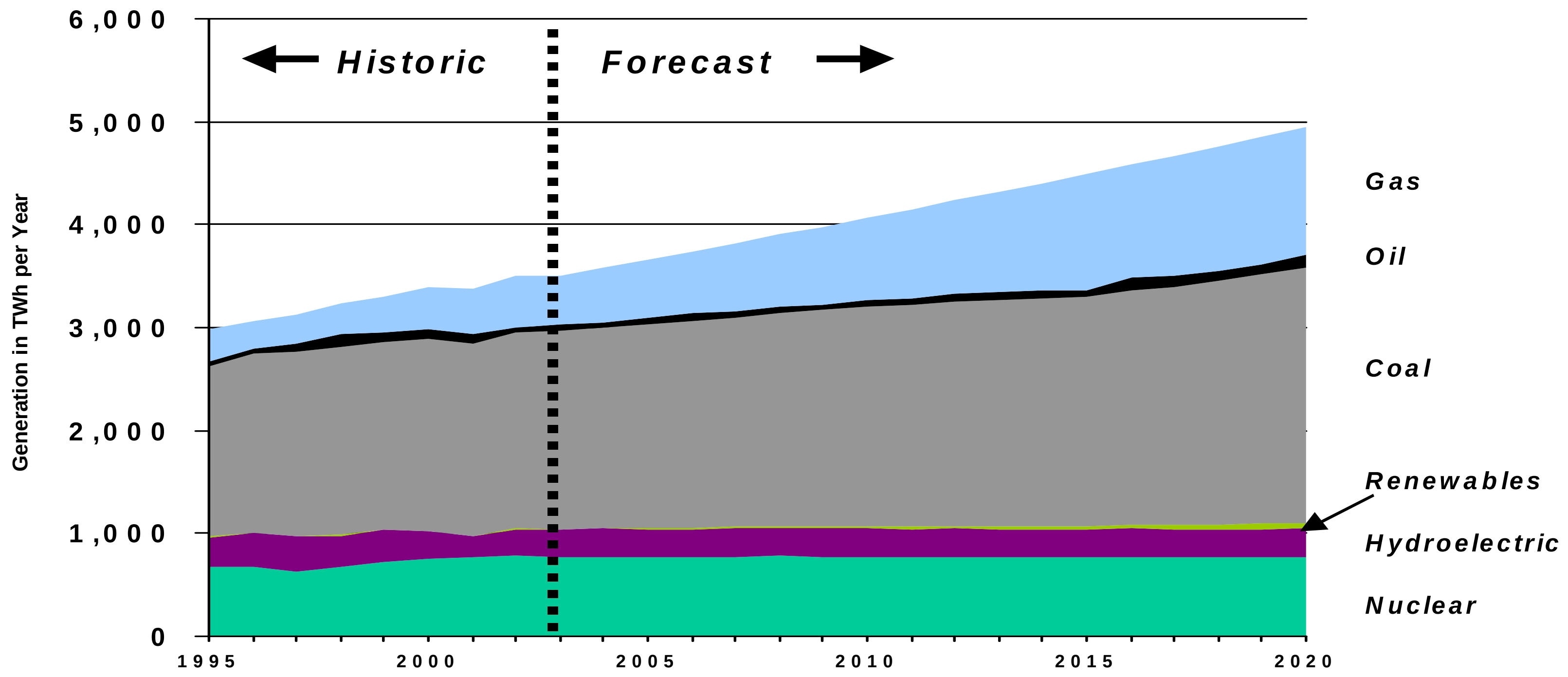
ELECTRICITY GENERATING MIX
1995-2020



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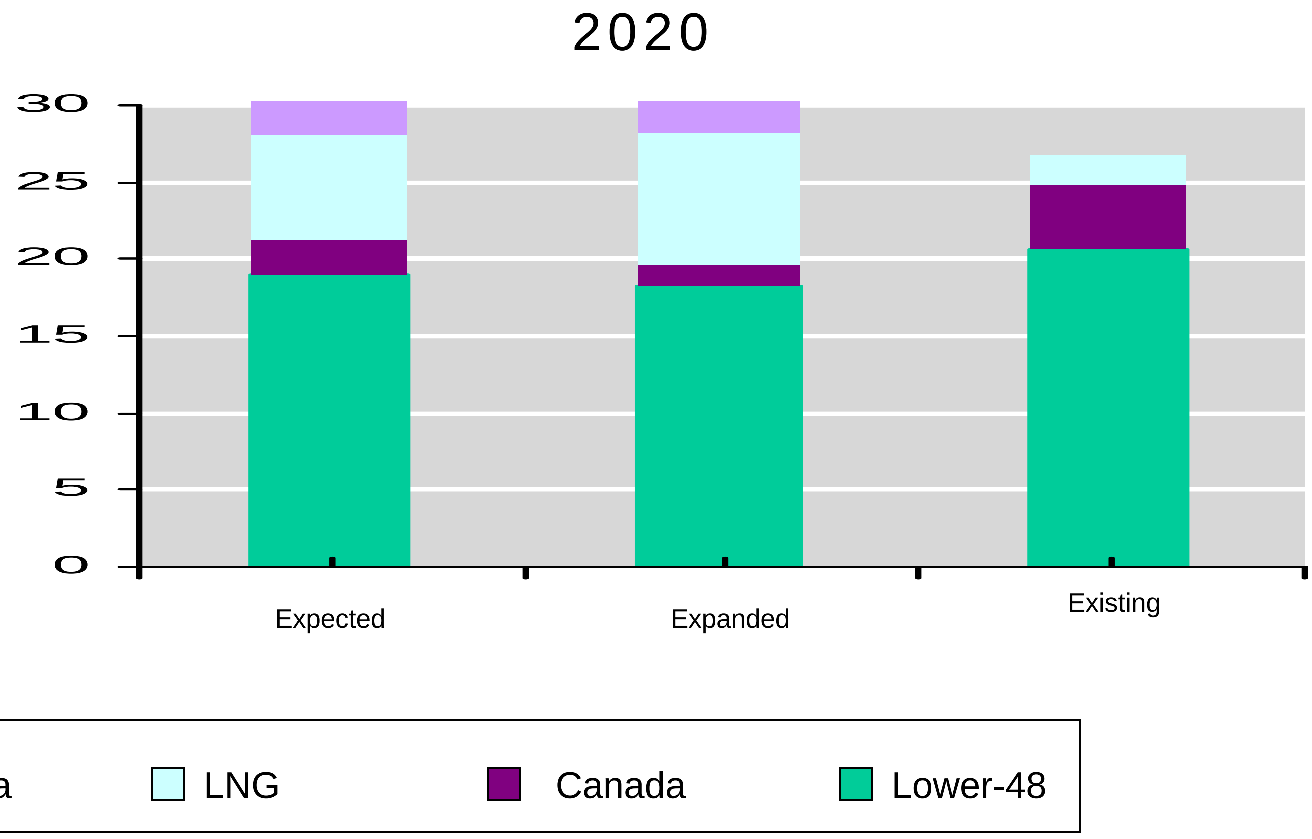
PROJECTED NATURAL GAS SUPPLY QUADS



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COMPARISON OF LONG-TERM SCENARIOS 2003 – 2020

SUPPLY (Tbtu)

	Actual 2003	FORECAST - 2020		
		Expected	Expanded	Existing
L-48	18,655	18,966	18,325	20,671
Alaska [4]	362	2,724	2,700	406
Canada	3,300	2,326	1,266	3,944
Mexico	-350	-177	-177	-177
LNG	478	6,835	8,569	1,931
Total	22,445	30,674	30,683	26,775

[4] Includes gas consumed in Alaska and the Lower-48, but excludes LNG exports.

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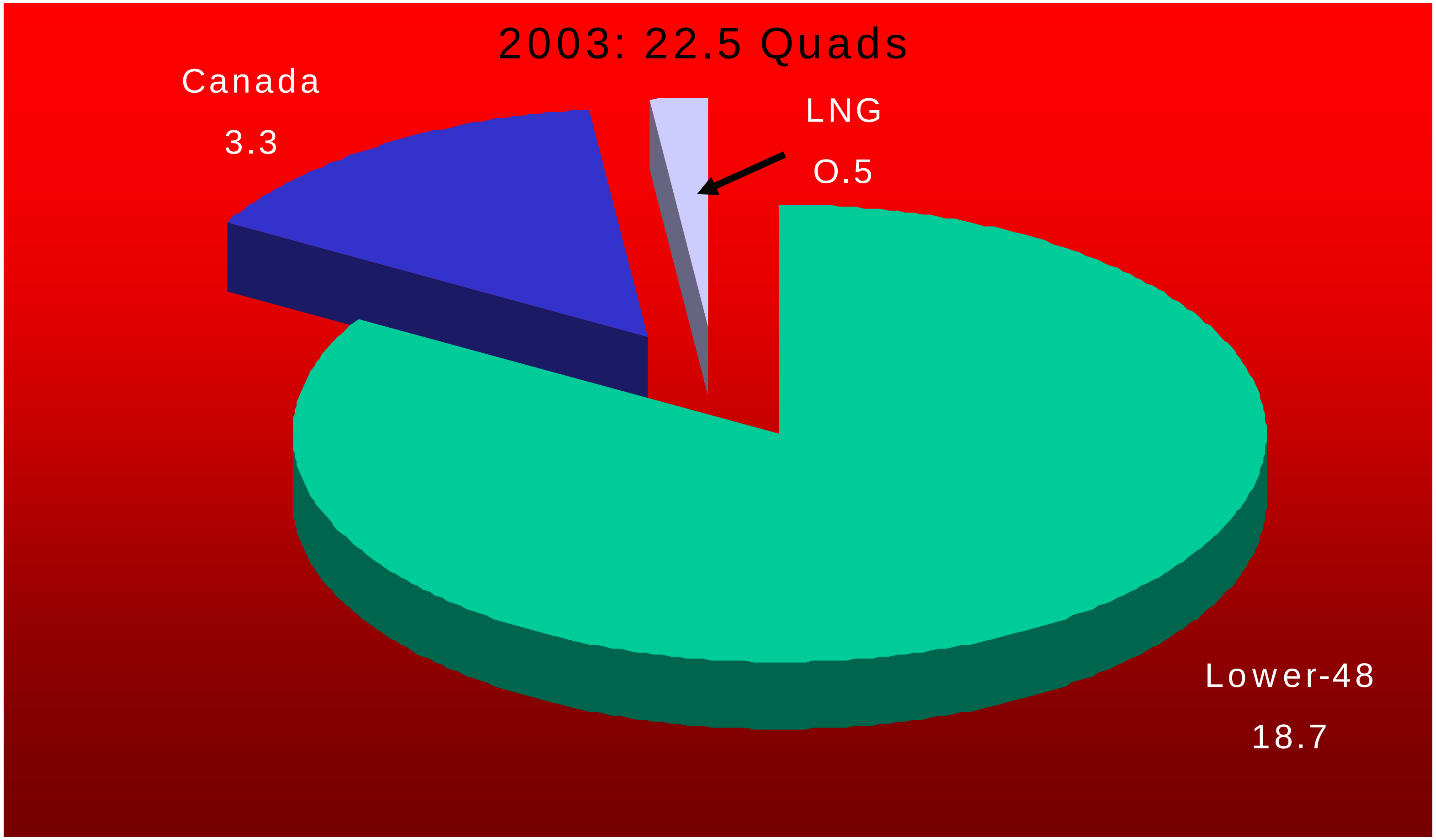
SOURCES OF CURRENT U.S. NATURAL GAS SUPPLY



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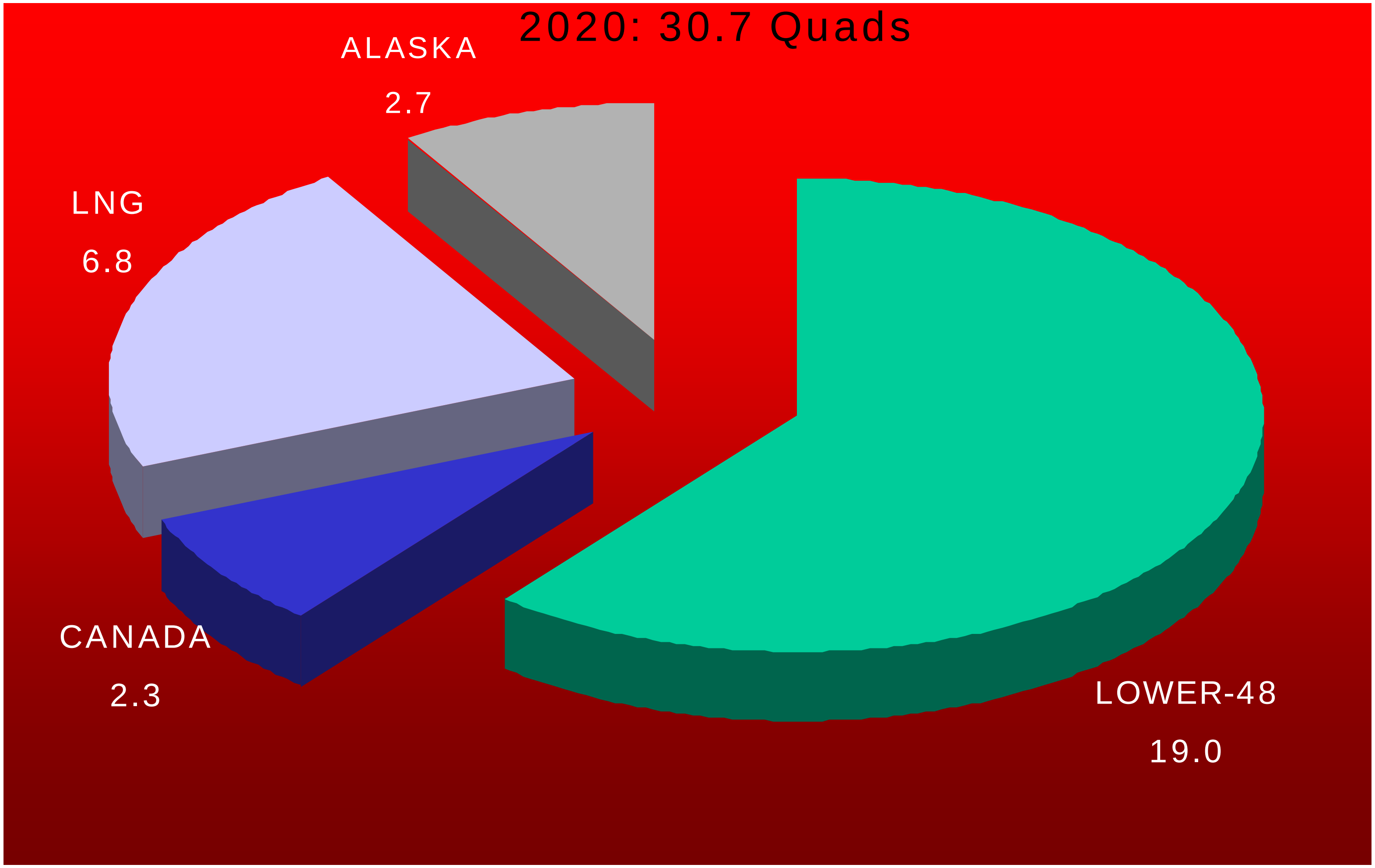
SOURCES OF PROJECTED U.S. NATURAL GAS SUPPLY



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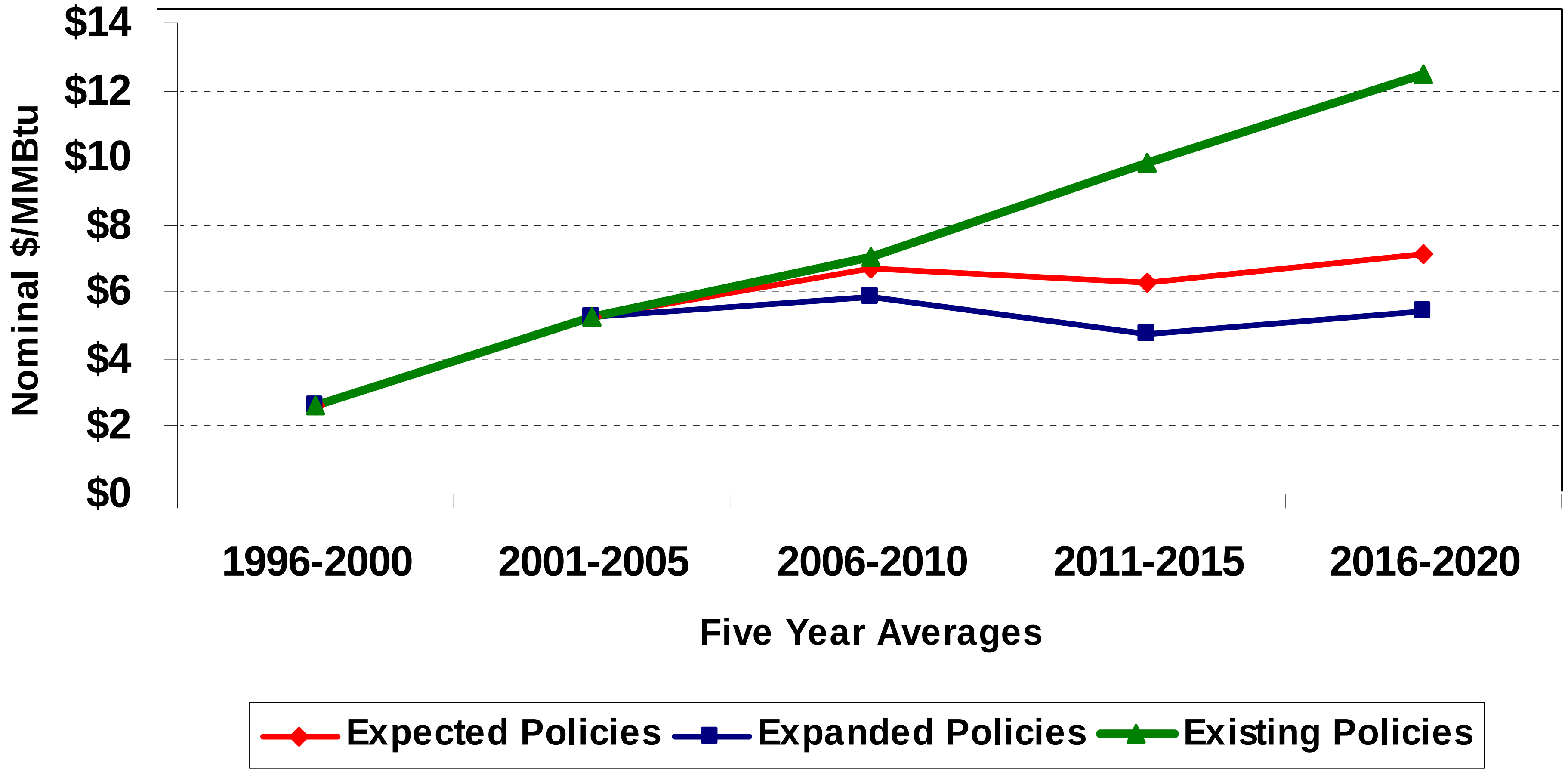
ACTUAL AND PROJECTED NATURAL GAS PRICES
(HENRY HUB)



COMPARISON OF LONG-TERM SCENARIOS 2003 – 2020

PRICE **($/MMBtu, Henry Hub)**

	Actual 2003	FORECAST - 2020 Expected	Expanded	Existing
Nominal	$ 5.49	$8.15	$5.47	$13.76
Nom. Avg. (2004-20020)		$6.72	$5.50	$ 9.43

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IMPACT TO CONSUMERS

	Expected Policies	Expanded Policies	Existing Policies
Supply	Greater diversity	Diversity with more LNG	Reliance on Conventional; Strain on Lower-48
Demand	30.6 quads	30.6 quads More Industrial; Less Electric Gen	26.7 quads
2020 Prices	**$8.15**	→	**$13.76**

Over $120 billion in additional cost in 2020

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Approximate Savings of $80 Billion in 2020

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NEEDED POLICY ACTIONS

- Pursue new natural gas supply strategies
- Pursue energy diversity
- Ensure the Alaskan Pipeline and adequate LNG terminals are built
- Promote real conservation and efficiency

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NEEDED POLICY ACTIONS

- Promote additional drilling with advanced technology
- Remove policy and regulatory constraints for drilling and infrastructure
  (Dec 2004 DOE/Argonne Nat'l Lab Study "Environmental Policy and Regulatory Constraints To Natural Gas Production")
- Align energy strategies with environmental and national economic interests

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THANK YOU!

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